

NOTE DISCLOSURES

Note: The following questions and answers were formulated using ASBO International's GASB Statement No. 34 Implementation Recommendations for School Districts (hereafter, referred to as ASBO's Implementation Recommendations). OPI supports ASBO's recommendations and encourages the use of this publication for further information and guidance. Other resources are GASB Implementation Guides (see GASB website at <http://www.gasb.org/repmodel/index.html>) and the AICPA (September 2002) Audits of State and Local Governments (GASB 34 Edition).

Q: What are the required note disclosures under GASB 34?

A: The GASB conducted a review of note disclosures and issued GASB 38, Certain Financial Note Disclosures. The Statement establishes and modifies disclosures requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers. The provisions of GASB 38 are not required for immaterial items.

Q: What are the changes in the Summary of Significant Accounting Policies?

A: As described in ASBO's Implementation Recommendations, the changes are as follows:

- Description of district-wide statements, noting exclusion of fiduciary activity.
- Measurement focus and basis of accounting used in the district-wide and fund financial statements.
- Policy for eliminating internal activity in the district-wide Statement of Activities.
- Policy for applying FASB pronouncements to business-type activities and to enterprise funds.
- Policy for capitalizing assets and for estimating the useful lives of those assets.
- Description of types of transactions included in program revenues.
- Policy for defining operating and non-operating revenues of proprietary funds.
- Policy regarding application of restricted resources when an expense is incurred for purposes that both restricted or unrestricted net assets are available.
- Policy for allocating indirect expenses to functions in the district-wide Statement of Activities.

Q: How should fixed assets and depreciation expense be reported in the notes to the financial statements?

A: More detailed information about the district's fixed assets and the depreciation expense amounts charged to each of the functions in the Statement of Activities should be disclosed in the notes to the financial statements. Figure 5-2 on page 51 of ASBO's Implementation Recommendations provides an example of disclosure information about fixed assets.

Q: How should long-term liabilities be reported in the notes to the financial statements?

A: Figure 5-3 on page 52 of ASBO's Implementation Recommendations illustrates disclosure information about long-term liabilities. Governmental and business-type information are presented separately. Major categories of long-term liabilities are listed: general bonded debt, lease purchase, notes payable, compensated absences, termination pay, claims and judgments. Beginning balance, additions, reductions, ending balance and amount due within one year should be shown separate columns. The amount due within one year will tie to the "current portion of long-term obligations" shown on the district-wide Statement of Net Assets. The notes should also include a disclosure of which governmental funds typically have been used to repay other long-term liabilities in prior years.

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